

Get in on the Ground Floor of Going Green

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Buildings are one of the most prevalent features of the modern landscape, with much recent focus on their environmental impact. According to the U.S. Green Building Council, buildings in the United States account for 65% of U.S. electricity consumption, 36% of energy use, 30% of raw material use, 30% of waste output, and 12% of potable water consumption. As a result of these substantial numbers, in the last decade we have seen the first “green” buildings with designs focused on sustainability, energy efficiency, and increased environmental quality. Though still in its infancy, green construction is already demonstrating startling benefits for its early adopters.

Many developers remain skeptical of green buildings’ real value due to high estimated capital cost increases associated with constructing a green building. This skepticism is understandable if savings associated with operating green buildings are uncertain. However, a September 2006 Cushman & Wakefield study for the RICS Green Value Conference aimed to solve the riddle of green value. Owners and tenants of green buildings were surveyed on whether or not their expectations of the benefits of going green had been met. The group of green owners said the savings in operating costs met their expectations, while initial construction costs only *partially* met their expectations. These results are not surprising. The surprise came from the two items that most exceeded owners’ expectations: the level of absorption of rentable space (lease up) and the decreased turnover of space (vacancy).

The explanation for these owner benefits is found in the accompanying tenant survey, which had occupants rank their net relative direct and indirect financial benefits of the green project. Overall Environmental Improvement was ranked first followed by Health, Productivity, Energy Consumption, Marketing, and Operating Costs. The Brindabella Business Park (adjacent to the Canberra International Airport) required increased initial capital costs by 8%, but the free publicity and market interest generated by the project meant that it was fully occupied during the final stages of construction without any marketing by the developer. It is clear from these indicators that tenants perceive an increased value associated with green buildings.

Reduction in operating costs are, however, also of significant benefit, as a 2006 study, “The Dollars and Sense of Green Buildings,” by the Green Building Council in Australia has shown. This collection of international case studies of green projects has the empirical examples of green building benefits that developers, owners, and tenants have all waited to see:

- Investa Property Group in Sydney implemented a new strategy across its entire portfolio of existing buildings. They established a comprehensive integrated environmental management system that has reduced energy consumption by 15%, and a new waste management program has brought recycling from 0% to 40% in 1 year.
- In the case of Melbourne's Kangan Bateman Tafe Automotive Centre of Excellence, the study only focused on the operational cost benefits and ignored the intangibles like market desirability and publicity. The increase in capital costs from going green was 9%, a total of \$42,775. Using an active mass cooling and night sky cooling system coupled with thermo-active slabs, or concrete core conditioning, to hold a constant temperature they have reduced their operational costs by 68%. An estimated savings of \$7,242 annually means that the costs of going green will pay for themselves in 5.9 years.

As the business case for green buildings continues to grow, and publicity surrounding green buildings increases, developers who build these types of buildings have a competitive advantage over developers of conventional buildings because tenants (and perhaps potential purchasers) are more apt to lease (or perhaps purchase) green buildings. The increasing number of green buildings will make older conventional buildings less competitive, and the market will demand more green construction. "Green" is here to stay. It just makes financial sense. Additionally, the window of opportunity to earn the greatest return on investment by going green favors those willing to educate and adopt early.